DIRECT TESTIMONY OF
MICHAEL L. SEAMAN-HUYNH
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2022-4-G

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Michael Seaman-Huynh. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as Deputy Director of Energy Operations at the Office of Regulatory Staff ("ORS").

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor of Arts from the University of South Carolina in 1997. Prior to my employment with ORS, I was employed as an energy analyst with a private consulting firm. I joined ORS in 2006 as an Electric Utilities Specialist and was promoted to Senior Electric Utilities Specialist in 2010. When the Energy Regulation Department was formed in August 2015, I assumed the position of Senior Regulatory Analyst. In May 2016, the Utility Rates and Services Division was formed, and I was promoted to the position of Senior Regulatory Manager. I assumed my current position in August of 2019.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("COMMISSION")?

A. Yes. I have previously testified before the Commission on numerous occasions in connection with hearings concerning annual fuel clause proceedings, annual purchased gas adjustment proceedings, general rate cases, Utility Facility Siting and Environmental Protection Act proceedings, and other various regulatory proceedings.

Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?

A. ORS represents the public interest as defined by the South Carolina General Assembly in S.C. Code Ann. § 58-4-10(B) as:

> [T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY AND HOW DOES YOUR DIRECT TESTIMONY REPRESENT THE PUBLIC INTEREST?

A. My direct testimony presents ORS's findings and recommendations resulting from the examination and review of Piedmont Natural Gas Company, Inc.'s ("Piedmont" or "Company"):

1) Natural gas purchasing policies, including the hedging program, for the twelve (12) month period of April 1, 2021 through March 31, 2022 ("Review Period");
2) Ability to serve the firm customers during the Review Period and for the 2022-2023 winter season ("Winter Season"); and,
3) Administration of the Commission-approved Gas Cost Recovery Mechanism ("GCRM") tariff during the Review Period.

My review focused on evaluating the Company's fuel procurement and forecasting policies, procedures, and activities to ensure the Company complied with prior Commission orders and made reasonable efforts to ensure adequate natural gas capacity so as to provide reliable and high-quality service to its customers.

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. The review to which I testify was performed by me or under my supervision.

Q. DID ORS REVIEW THE COMPANY'S CONSTRUCTION AND MAINTENANCE PROJECTS DURING THE REVIEW PERIOD?

A. Yes. ORS reviewed the Company's construction and maintenance projects and found the projects promote safe and reliable delivery of natural gas to customers. In addition, Piedmont is required to file new construction notices with the Commission for any project expected to exceed $500,000 pursuant to S.C. Code Ann. Reg. 103-412.2.7(A) (2012). During the Review Period, the Company filed eighteen (18) such notices under Docket No. 2012-278-G. ORS did not review these projects for reasonableness or cost as part of this docket. Such a review is completed as part of the annual review under the Natural Gas Rate Stabilization Act (S.C. Code Ann. § 58-5-400) or as part of a general rate case proceeding (S.C. Code Ann. § 58-5-240).

Q. PLEASE DISCUSS PIEDMONT'S PURCHASING PRACTICES.

A. Piedmont contracts for transportation capacity, storage service, and liquefied natural gas ("LNG") peaking service. Piedmont also purchases commodity supply from producers and marketers to both meet the needs of its firm customers on a peak design day ("Firm Design Day") as well as to meet the seasonal and annual usage requirements of all customers.

Q. PLEASE DESCRIBE PIEDMONT'S CAPACITY AND SUPPLY CAPABILITIES FOR THE REVIEW PERIOD USING THE COMPANY'S UPDATED DESIGN DAY CALCULATION.

A. For North and South Carolina ("the Carolinas"), Piedmont has firm send out capacity capability available for the Winter Season Firm Design Day. The capacity portfolio to meet this demand included firm transportation contracts on the interstate gas pipeline systems of Columbia Gas Transmission, LLC ("Columbia Gas"); East Tennessee Natural Gas, LLC; and Transcontinental Gas Pipe Line Company, LLC("Transco"). The Company also has storage service available from Columbia Gas, Transco, Dominion Energy Transmission, Inc., and Hardy Storage Company, LLC. In addition, Piedmont has three (3) LNG peaking facilities located in Bentonville, Huntersville and Robeson, North Carolina as well as contracted LNG peaking service with Transco. These sources were available to inject additional natural gas into its system, when needed, to balance supply with the Company's system load requirements.

Piedmont purchases gas supply under a diverse portfolio of contractual arrangements with gas producers and marketers. Under the firm gas supply contracts, Piedmont pays market-based commodity prices tied to indices published in nationally recognized industry publications such as Platts Gas Daily Market Fundamentals. Piedmont also purchases gas supplies in the spot market under contract terms of one month or less.

Q. DID ORS REVIEW THE COMPANY'S ABILITY TO MEET FIRM CUSTOMERS' GAS REQUIREMENTS DURING THE WINTER SEASON?

A. Yes. ORS reviewed the Company's capacity contracts to determine if there was sufficient capacity contracted to meet firm customers' peak design day requirements. Additionally, ORS reviewed the Company's commodity supply contracts to determine if the Company would have an adequate source of viable gas suppliers to purchase both monthly gas supply as well as spot gas. Finally, ORS reviewed the Company's current distribution system to ensure the Company will be able to deliver gas within its system to all service areas. ORS concluded the Company prepared a capacity and supply asset portfolio to sufficiently and reliably meet the Winter Season's projected firm customers' requirements.

Q. DID PIEDMONT PRUDENTLY PURCHASE GAS CAPACITY AND SUPPLY TO MEET THE REQUIREMENTS OF ITS CUSTOMERS?

A. Yes. The Company uses what is called a "best cost" gas purchasing policy. This policy consists of five (5) main components: price, security, flexibility, deliverability, and supplier relations. These components are interrelated and weighted based on their importance. Piedmont has been active in purchasing supplies directly in the market and arranging through interstate pipelines for capacity required for the transportation, delivery, and storage of these supplies. Piedmont continues to secure reasonable contract terms through negotiations. Piedmont has been active in the Federal Energy Regulatory Commission ("FERC") proceedings concerning interstate transportation and storage rate changes, as well as other issues concerning the FERC regulated interstate pipeline companies.

Q. WHAT ARE THE RESULTS OF PIEDMONT'S HEDGING PROGRAM FOR THE REVIEW PERIOD?

A. For the Review Period, the Company's hedging program for South Carolina operations resulted in a net economic gain of $1,732,613, as shown on ORS Witness Sullivan's Exhibit DFS-3, recorded in the Company's deferred account. ORS determined that Piedmont operated its hedging activities in compliance with the Commission approved hedging program and has no recommendations to change the Company's current hedging program.

Based upon ORS's review and examination, ORS confirmed that the:

1) Percentage of volumes hedged was no greater than forty-five percent (45%) of annualized sales volumes;
2) Time period for which the hedges were purchased was no greater than twelve (12) months;
3) Hedging tool used was a call option;
4) Amount paid to purchase the options, referred to as the premiums, were no more than the plan's approved percentages of 4% to 6% of the applicable NYMEX futures price;
5) Strike price of the call options purchased were secured at the prevailing market prices or lower [Note: The strike price is the price the option holder must pay to exercise the option.];
6) Costs of the hedging program were properly recorded; and,
7) Company filed monthly reports with the Commission and ORS providing the results of the hedging program.

Q. DID ORS REVIEW THE COMPANY'S FORECASTED FIRM DESIGN DAY REQUIREMENT FOR THE WINTER SEASON AND THE COMPANY'S STEPS TO MEET THIS REQUIREMENT?

A. Yes. ORS reviewed and examined the Company's forecasted Firm Design Day requirement for the upcoming Winter Season and the measures the Company is taking to ensure the reliability of the capacity and supplies. Piedmont has taken steps to secure firm capacity and supply for future demand on its system. These steps include contracting with interstate pipelines for capacity on their systems, acquiring storage capacity, enhancing their LNG capabilities, and negotiating contracts with suppliers. Upon review of projections of Piedmont's Carolinas Firm Design Day requirement and the assets anticipated to be in place to satisfy this requirement, ORS finds Piedmont's plan for the Winter Season to be reasonable.

Piedmont has an obligation to maintain adequate supplies at just and reasonable costs to serve its customers. Based on our review of information provided by Piedmont, ORS finds that the Company is prepared to meet its obligation. For future planning periods, ORS recommends that the Company continue its practice of monitoring its firm transportation, storage, supply, and LNG capabilities based upon its forecasted firm demand and continuing changes in the natural gas industry.

Q. PLEASE DESCRIBE PIEDMONT'S APPROVED GCRM.

A. Piedmont's GCRM is designed to permit the Company to recover the prudently incurred actual cost of gas from its customers. The actual cost of gas consists of two (2) components: a demand cost of gas component ("Demand Component") and a Commodity cost of gas component ("Commodity Component" or "Commodity Cost of Gas"). The Demand Component includes all capacity charges for the transportation and storage of gas. The Commodity Component is comprised of charges for the volumes of gas purchased. The GCRM provides that Piedmont establish a Benchmark Commodity Cost of Gas which is the Company's estimate or forecast of the City Gate Delivered Cost of Gas for gas supplies, excluding Demand Charges. The GCRM provides for the recording of the monthly differences between the actual cost of gas purchased and the rate billed to the customer, to the Company's Deferred Account.

Q. DOES PIEDMONT'S APPROVED GCRM ALLOW FOR ADJUSTMENTS TO THE BENCHMARK COMMODITY COST OF GAS?

A. Yes. The Benchmark Commodity Cost of Gas may be adjusted to recognize changes in the billing factor for the amount to be recovered. These requests are filed with the ORS for review and the Commission for approval. The GCRM also allows for the same type of adjustment for the Demand Component, although the Demand Component does not change as frequently as the Commodity Component.

Q. WHAT IS THE CURRENT BENCHMARK COST OF GAS INCLUDED IN THE COMPANY'S RATES?

A. The current Benchmark Commodity Cost of Gas, GCRM-155, included in the Company's rates is $6.00 per dekatherm, which became effective with the first billing cycle of June 2022. ORS does not recommend any change to the Benchmark Commodity Cost of Gas.

Q. DID THE COMPANY ADMINISTER ITS GCRM DURING THE REVIEW PERIOD IN ACCORDANCE WITH THE COMMISSION APPROVED TARIFF?

A. Yes.

Q. WHAT ADDITIONAL STEPS WERE TAKEN IN ORS'S REVIEW OF THE COMPANY'S PROPOSAL?

A. ORS met virtually with Company personnel from various departments to discuss and review natural gas supply procurement, transportation capacity, storage, LNG facilities, and general Company policies and procedures pertaining to natural gas procurement. In addition, ORS monitors the natural gas commodity and transportation industries through industry and governmental publications.

Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources become available.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.